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to that extent not "a government of laws," but "a government of men" and government by a press which may be subsidized, a platform which may be prejudiced or a mob which may be misled. If the principle is sound that disputes among our people should be settled according to established rules of justice, then why should not that principle be applied to all alike? Why should not all the States apply it to all disputes within their respective borders, and why should not the Federal Government apply it to all industries which are interstate in their activity and scope, whether they arise within the public service or outside of it? There should be no twilight zone within which any employer or any employee can find refuge from the equal application of this principle of justice through due process of law. It should be applied to every labor dispute which the parties cannot adjust between themselves. Why should we expect public opinion to be more potent in one class of disputes than in another? And if we depend upon public opinion in one class of disputes, why not in all? That is the doctrine of the philosophical anarchist. He would rely upon public opinion and individual virtue rather than upon a government of laws sanctioned by a majority, under a written constitution which safeguards at all times the rights of the humblest among us.

A settlement of a labor dispute which is in any sense a compromise cannot be at all permanent. To have any element of permanency, it must partake of the nature of an adjudication according to recognized principles of right. Public opinion cannot, therefore, be relied upon, except as it is crystallized into adopted law. It would seem that public opinion upon this subject is about to crystallize, and waits only to be expressed in legal form which will reach labor disputes in the same way that all other disputes among us are now reached. We should hasten this action, for every strike and lock-out brings incalculable damage. Interference with one activity affects another, until our whole industrial life is made to suffer. If the disputants alone suffered, we might, perhaps, with some degree of justification, leave them to fight it out in their own way. But this is not the case. The public can no longer stand apart. We cannot tolerate disturbance of the peace which may grow into open violence. We cannot permit idle factories when the public needs their products, when the investors need their dividends, and when the workers need their wages to support themselves and their families. And we cannot by any manner of reasoning justify the injury which every strike and lockout inflicts upon the public, most of whom are not parties to the quarrel, but who have to suffer the consequences of it.

It has been my endeavor in this discussion not to advocate any particular political or economic system, but only to point out the advantage of adhering with fidelity to the principle that we should work out our destiny through law and order. We should always act orderly, obeying the law while it is law, changing the law, to be sure, when it should be changed, but only through legislative procedure and the ballot. We should never hastily resort to force, even though justice seems to be delayed too long. Only through such observance of the law can

we achieve domestic tranquillity and accomplish the purpose of those who established our form of popular government.

RETIRING THE NATIONAL WAR DEBT, AND FOREIGN DEBTORS

SECRETARY HOUSTON, of the U. S. Treasury Department, in his annual report, of date of November 20, has much to say respecting national and international finance that will be carefully studied by chancellors of the exchequer in foreign lands and by the responsible leaders of Congress. Both in the number and gravity of the matters discussed and the wide range of world territory to be influenced by the decision which Congress may make respecting issues on which the Secretary gives expert Treasury opinion, it is a document far transcending any that has ever issued from the department. Compared with it, the similar document following the close of the Civil War was a primer in finance and parochial in its vista.

Secretary Houston's opening sentences deserve to be quoted:

Forces of broad sweep and intensity have operated. They have been world-wide and consequently beyond the possibility of control by any industrial group or even by nations. During the war forces were set in motion which no government could or did control. No government succeeded, for instance, in checking the rising tide of costs and prices. After the armistice, with the return of millions of men to productive activities, with the beginnings of more normal conditions everywhere, with the restoration of better transportation on land and sea, and with the fuller contribution of nations once more to the world's stock of goods, reverse forces were set in operation which no government can thwart. These forces were the natural aftercurrents of a World War and resulted in a financial and industrial cycle typical of periods immediately following great struggles, but of unparalleled intensity. They set up very complex problems, which have sorely taxed the best thought of private and public leaders everywhere; but this nation faced them with characteristic calmness; dealt with them for the most part with marked effectiveness; proceeded in orderly fashion, and is now slowly and cautiously, but confidently feeling its way to more sound and stable conditions.

That a nation which so splendidly withstood the greatest financial strain of history can now satisfactorily cope with the much less serious situation confronting it and attain its objective would seem to admit of no reasonable doubt. Its failure to do so would be a reflection on the patriotism as well as on the intelligence of its people. It emerged from the war incomparably strong. It has immense liabilities; it has great debts, but it has enormous resources, and the only question is whether it will utilize and direct them wisely. The need of the exercise of plain common sense, of patience, of the effective realization that burdens of war do not end with the fighting, of hard work, of thrift and of economy, private and public. Federal, State, county, and municipal, is so obvious as to render emphasis and discussion of it unnecessary.

RETIRING THE WAR DEBT

To the taxpayer, no section of the report is more important than the program outlined for retirement of the war debt. Secretary Houston says:

The maturities of the Liberty loans and the privileges reserved to the Treasury to call the Liberty bonds and Victory notes for redemption prior to maturity give the Treasury adequate control over the war debt and make it practicable for the government to follow an orderly program of debt retirement, provided adequate revenues from taxation are maintained and the government exercises rigid economy in its expenditures. As has already been indicated, there has been gratifying improvement in the public debt situation. On the basis of the daily Treasury statements, the gross debt of the United States on August 31, 1919, when it reached the peak, was, in round figures, \$26,596,000,000, of which about \$4,000,000,000 represented loan and tax certificates maturing within the year. On September 30, 1920, the gross debt was \$24,087,000,000, a reduction of over two and one-half billions of dollars, while the floating debt was \$2,347,000,000, or approximately \$1,600,000,000 less than on August 31, 1919. These reductions were effected chiefly by the application of the proceeds of taxation and salvage and were made possible to some extent by the reductions of Treasury balances resulting from the reduced scale of government expenditures and the retirement of large amounts of outstanding loan certificates. The gross debt on October 31, 1920, amounted to about \$24,062,500,000, a further reduction of about \$25,000,000, while the floating debt was reduced to about \$2,337,000,000. While there may be increases in both gross debt and floating debt in the month of November, as the result of current operations, the Treasury confidently expects that by the close of the current quarter, on December 31, 1920, there will be substantial decreases in the public debt more than sufficient to overcome any such increases, and that both gross debt and floating debt on December 31, 1920, will be reduced below the amounts outstanding at the close of the quarter ending September 30, 1920.

The gross debt of \$24,087,000,000 on September 30, 1920, included \$15,293,000,000 of Liberty bonds maturing between 1928 and 1947, about $4\frac{1}{4}$ billions of Victory notes maturing May 20, 1923, almost 800 millions of war-savings certificates maturing on January 1, 1923, and \$2,347,000,000 of loan and tax certificates maturing within a year. Within a period of about two and a half years, ending in May, 1923, there will thus become payable about $7\frac{1}{2}$ billions of government war obligations, of which approximately $4\frac{1}{4}$ billions represent Victory notes. Earlier plans and expectations were disarranged by the unexpectedly large burdens placed upon the Treasury by the transportation act. According to the estimates, there will be paid on account of the railroads during the current fiscal year probably a billion dollars, of which over three hundred millions has already been called for and paid. Added to these expenditures are large payments to the railroads on account of the settlement of matters arising under Federal control. It is obvious that these payments limit the progress which the government had expected to make in the retirement of the floating debt. It is expected, however, that perhaps the heaviest payments on account of the railroads will have been completed by the spring of next year, and then for the remaining months of the fiscal year the Treasury looks forward to a more rapid reduction of the

floating debt. By the end of the fiscal year, in the absence of unforeseen contingencies, the floating debt should be brought considerably below two billions, perhaps to as low as a billion and a half. The balance should be retired during the fiscal year 1922, except such an amount as it may be necessary to keep outstanding in order to avoid money strain in connection with the quarterly payments of income and profits taxes and to finance the government's current requirements in the intervals between the heavy tax receipts. By the end of the fiscal year 1922 the Victory loan should also have been reduced by at least a half billion dollars as a result of sinking-fund operations.

The remainder of the Victory loan, perhaps $3\frac{3}{4}$ billions, will then have become substantially floating debt, as it will mature during the following fiscal year. Provision should be made, therefore, under proper Treasury regulations and, if necessary, by partial calls for redemption, for the acceptance of Victory notes during the fiscal year 1923, before maturity, in payment of income and profits taxes. In this way and through further sinking-fund operations, it should be possible to reduce the Victory loan so that at maturity it would stand at about three billions of dollars. In the meantime, on January 1, 1923, the unredeemed war-savings certificates of the series of 1918 will mature and must be provided for. The Treasury is committed to the continuance of the government savings movement and expects to push the campaign for the sale of savings securities during the coming year with the view particularly of assuring the continuity of the savings movement and making provision, so far as possible, for maturing savings securities out of new sales, to the extent that maturities are not covered by current receipts and other current financing.

These measures for the handling of the floating debt and the retirement of a substantial portion of the Victory loan before maturity are feasible and necessary. If carried out, they should make possible the refunding of such part of the Victory loan as may require to be refunded on terms advantageous to the Government. The program can be accomplished, however, only by strict economy in government expenditure and by the maintenance of adequate revenues from taxation. Sound fiscal policy dictates that the receipts from taxes and salvage be kept sufficiently high not only to meet current bills, including interest and sinking-fund charges, but also to retire the present floating indebtedness and a considerable part of the Victory notes before the close of the fiscal year 1923.

The maturities and redemption dates of the war debt maturing after the Victory loan are so arranged that a substantially similar program is feasible and should be carried out with respect to the several issues of Liberty bonds. The third Liberty loan, for example, will mature about five years after the maturity of the Victory loan, on September 15, 1928, and after the Victory loan has been provided for, sound fiscal policy would require that the sinking fund and surplus revenues then be applied to the bonds of the third Liberty loan, and thereafter to the remaining Liberty bonds in the order of their maturity. The cumulative sinking fund provided by the Victory Liberty loan act is calculated to retire the funded war debt, less the amount of foreign government obligations held by the United States on July 1, 1920, in about 25 years. By the operation of the sinking fund and the application to the debt of surplus revenues and any repayments by foreign governments of the principal of their obliga-

tions, it should be feasible to pay off the whole war debt within a measurable time. The war debt should be paid, not perpetuated, and the time to pay it is as soon as possible after the end of the war.

FOREIGN GOVERNMENTS AND THEIR DEBTS

Much of the contemporaneous and future economic and financial stringency in the United States will be due to the \$10,000,000,000 credited to foreign governments' accounts by Congress during the war—a process that began with April, 1917, and lasted until July, 1918, and without which the Allies doubtless would have met a different military fate in the war.

The following table indicates the extent to which this lending of aid and establishing of credit has gone and the amount of settlement of these obligations which the debtors have been able to meet. We quote from the report:

Countries.	Credits established net.	Cash advanced.	Other charges against credits.	Balances under established credits.
Belgium.....	\$349,214,467.89	\$349,214,467.89	.....	.....
Cuba.....	10,000,000.00	10,000,000.00	.....	.....
Czechoslovakia.....	67,329,041.10	61,256,206.74	.....	\$6,072,834.36
France.....	3,047,974,777.24	2,997,477,800.00	.....	50,496,977.24
Great Britain.....	4,277,000,000.00	4,277,000,000.00	.....	.....
Greece.....	48,236,629.05	15,000,000.00	\$32,236,629.05	.....
Italy.....	1,066,260,179.72	1,631,338,986.99	.....	34,921,192.73
Liberia.....	5,000,000.00	26,000.00	.....	4,974,000.00
Rumania.....	25,000,000.00	25,000,000.00	.....	.....
Russia.....	187,729,750.00	187,729,750.00	.....	.....
Serbia.....	26,780,465.56	26,780,465.56	.....	.....
	\$9,710,525,310.56	\$9,580,823,677.18	\$33,236,629.05	\$96,465,004.33

Of the foregoing advances there have been repaid up to November 15, 1920, by—

British Government.....	\$80,181,641.56
French Government.....	31,449,357.55
Roumanian Government.....	1,794,180.48
Serbian Government.....	605,326.34
Cuban Government.....	500,000.00
Belgian Government.....	10,000.00

On the method by which these debts due the United States, manifestly impossible of cancellation now, shall be settled, Secretary Houston agrees with the opinion of his predecessor, Secretary Glass, that there should be a general funding of the demand obligations into long-time obligations, the latter making provision for a sinking fund.

To various propositions concerning cancellation of the debt owed by Europe to the United States and a wiping of the slate clean, Secretary Houston says:

Some advance the proposal that it should be canceled. This is a favorite plan of some Europeans and some Ameri-

cans. The suggestion is based first on one ground and then on another. At one time it is based on sentiment or on considerations of generosity. By some it is based on the contention that it will promote peace. It apparently is assumed that antagonisms will be set up if the nations of Europe are asked to repay the loans which they sought and so gladly received. At another time it is based on consideration for present producing interests. Voices are heard representing that it will ruin the trade of America if Europe is to send us her commodities for what she owes us. Apparently these advocates contend that international trade will be profitable, provided only we give to the world what we produce, declining to receive any commodities in return. I imagine neither of these suggestions will be received with favor by the American taxpayers. They will realize that if the debts are canceled, they must pay taxes to meet the interest and to redeem the principal of ten billions of dollars. Another suggestion is that the demand notes now held by the government shall be funded into bonds bearing a higher rate of interest, which the debtor nations will consent to exchange for the outstanding bonds, and that a direct relation be set up between those who consent to receive such bonds in this country and the foreign debtors, although it is proposed that this government guarantee the bonds. No evidence is furnished that debtor nations would be willing to assent to the creation of a bonded debt with a higher rate of interest with obligation for the immediate payment of interest, and there is nothing in existing law which warrants such a transaction. They should not be charged interest at a rate exceeding the cost to our government of the money borrowed from our people to lend to them. The advances made by the United States to the Allies began only at the time of our entry into the war. For substantially a year we had no considerable military forces in Europe and we were lending the money needed to supply the part purchased from our people of the materials necessary for the armies of the Allies, who were holding the Germans in the meantime. If, in April, 1917, we had had a vast army in Europe, there would have been no considerable loans to the Allies for purchases of war material in this country, since our own armies would have needed all the munitions this country could have produced. In the circumstances we must deal with the debts of the allied governments in a spirit of fairness. The suggestion that we should throw them upon the market appears to me to be as fatuous and impracticable as either of the other suggestions.

The following is an itemized statement showing the amount of interest heretofore paid by each of the foreign governments on advances made to it by the United States Treasury:

Belgium	\$10,907,281.55
Cuba	1,136,865.47
Czecho-Slovak Republic	304,178.09
France	128,140,816.48
Great Britain	233,357,185.50
Greece	409,153.34
Italy	57,598,852.62
Liberia	161.10
Rumania	263,313.74
Russia	4,595,564.15
Serbia	636,059.14

Total.....\$437,349,431.18